



華潤創業有限公司
China Resources Enterprise, Limited

股份代號 Stock Code: 00291

BRAVING 迎接挑戰 CHALLENGES

Financial and operational review

Q3 2013

14 November 2013

Results Summary

	Q3 2013	Q3 2012	change	Q3 YTD 2013	Q3 YTD 2012	change	
	HK\$m	HK\$m		HK\$m	HK\$m		
Turnover	40,583	34,209	+19%	112,440	98,168	+15%	
EBITDA - Basic	3,345	3,212	+4%	7,562	8,416	-10%	**
EBITDA - Underlying*	3,333	2,735	+22%	7,533	6,830	+10%	
Earnings	920	1,138	-19%	1,938	3,373	-43%	**
Underlying net profit*	911	668	+36%	1,916	1,799	+7%	
ROE (%) (based on earnings)				4.6	8.5	-46%	
ROE (%) (based on underlying net profit) *				4.5	4.8	-6%	
Net (borrowings)/cash				2,575	5,246	-51%	

* EBITDA/Earnings from core businesses excluding the after-tax effect of asset revaluation and major disposal of non-core assets/investments and after accounted for net corporate interest & expenses

** Significant decline on EBITDA and earnings was mainly due to less revaluation of investment properties in Q3 YTD 2013.

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Turnover Breakdown - by Divisions

	Q3 2013 HK\$m	Prop	Q3 2012 HK\$m	Prop	change	Q3 YTD 2013 HK\$m	Prop	Q3 YTD 2012 HK\$m	Prop	change
Core businesses										
Retail	23,920	58%	20,942	61%	+14%	71,827	64%	63,067	64%	+14%
Beer	11,332	28%	9,153	26%	+24%	27,410	24%	23,786	24%	+15%
Food	3,171	8%	2,636	8%	+20%	8,175	7%	7,750	8%	+6%
Beverage	2,494	6%	1,619	5%	+54%	5,869	5%	3,908	4%	+50%
	40,917	100%	34,350	100%	+19%	113,281	100%	98,511	100%	+15%
Less: inter-co transactions	(334)		(141)			(841)		(343)		
Turnover – total	40,583		34,209		+19%	112,440		98,168		+15%



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Underlying Net Profit Breakdown - by Divisions

	Q3 2013 HK\$m	Prop	Q3 2012 HK\$m	Prop	change	Q3 YTD 2013 HK\$m	Prop	Q3 YTD 2012 HK\$m	Prop	change
Core businesses										
Retail	75	8%	77	11%	-3%	699	34%	727	38%	-4%
Beer	749	79%	503	71%	+49%	1,107	55%	878	46%	+26%
Food	30	3%	68	10%	-56%	101	5%	212	11%	-52%
Beverage	90	10%	58	8%	+55%	129	6%	88	5%	+47%
	944	100%	706	100%	+34%	2,036	100%	1,905	100%	+7%
Net corporate int. & expenses	(33)		(38)			(120)		(106)		
Underlying Net Profit	911		668		+36%	1,916		1,799		+7%
Adjustment										
Net gain on disposal of non-core investments and valuation surplus on investment properties	9		470		-98%	22		1,574		-99%
Earnings	920		1,138		-19%	1,938		3,373		-43%

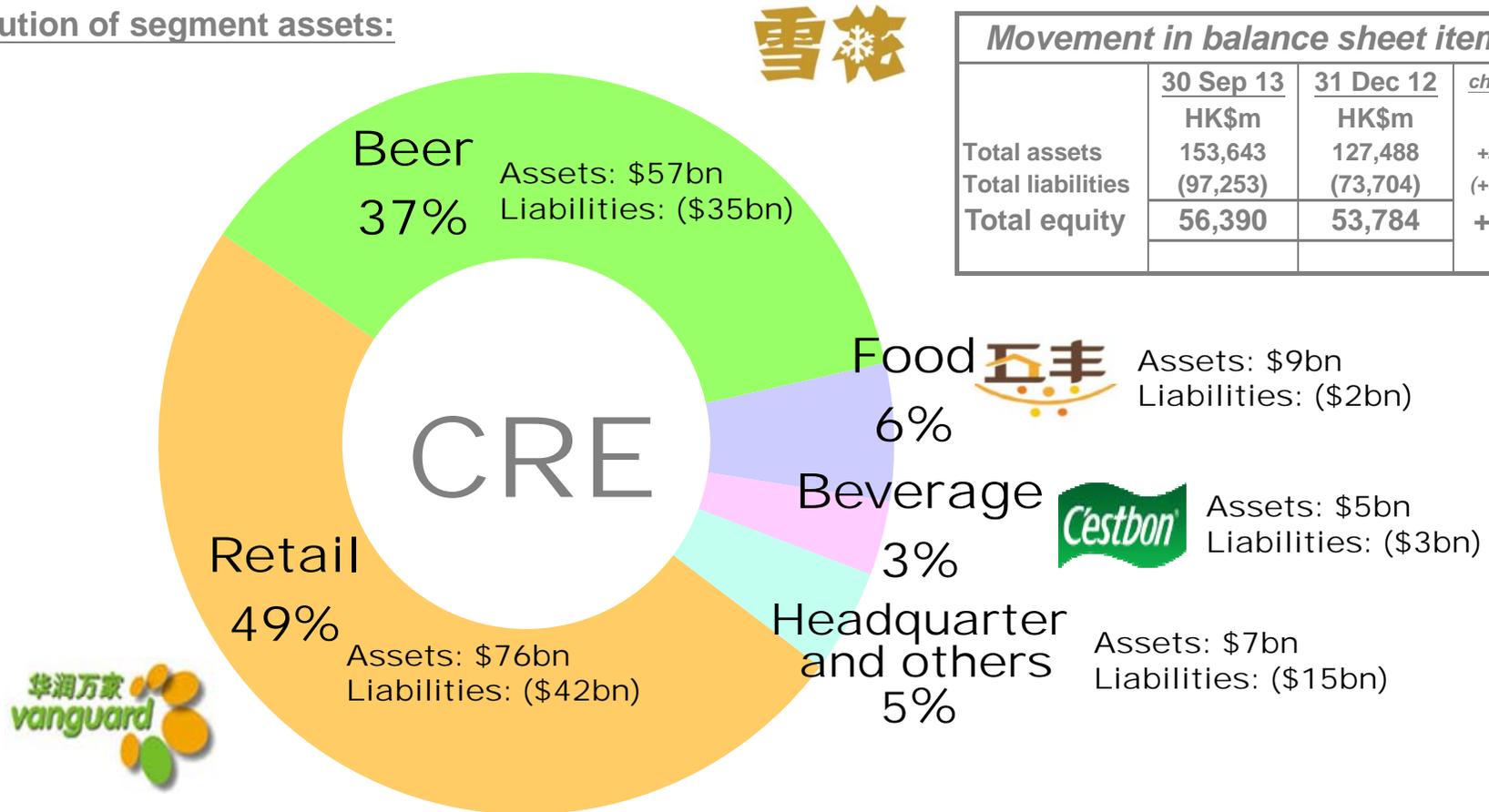


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



Movement in balance sheet items

	30 Sep 13	31 Dec 12	change
	HK\$m	HK\$m	
Total assets	153,643	127,488	+21%
Total liabilities	(97,253)	(73,704)	(+32%)
Total equity	56,390	53,784	+5%

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■ Growth through: Multi-format with regional leadership

	Q3 2013 HK\$m	Q3 2012 HK\$m	Change	Q3 YTD 2013 HK\$m	Q3 YTD 2012 HK\$m	Change
Turnover	23,920	20,942	+14%	71,827	63,067	+14%
Underlying EBITDA #	733	607	+21%	2,682	2,528	+6%
Underlying net profit #	75	77	-3%	699	727	-4%
Underlying EBITDA margin (%) #	3.1	2.9	+7%	3.7	4.0	-8%
Underlying net profit margin (%) #	0.3	0.4	-25%	1.0	1.2	-17%

Profitability was mainly affected by the slowdown of China economy and initial expansion in new regions/business.

SSSG of retail business:



excluded the revaluation of investment property and disposal of non-core assets

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Notation:

Retail shop no. (no. of hypermarket) [addition in past 12 months]

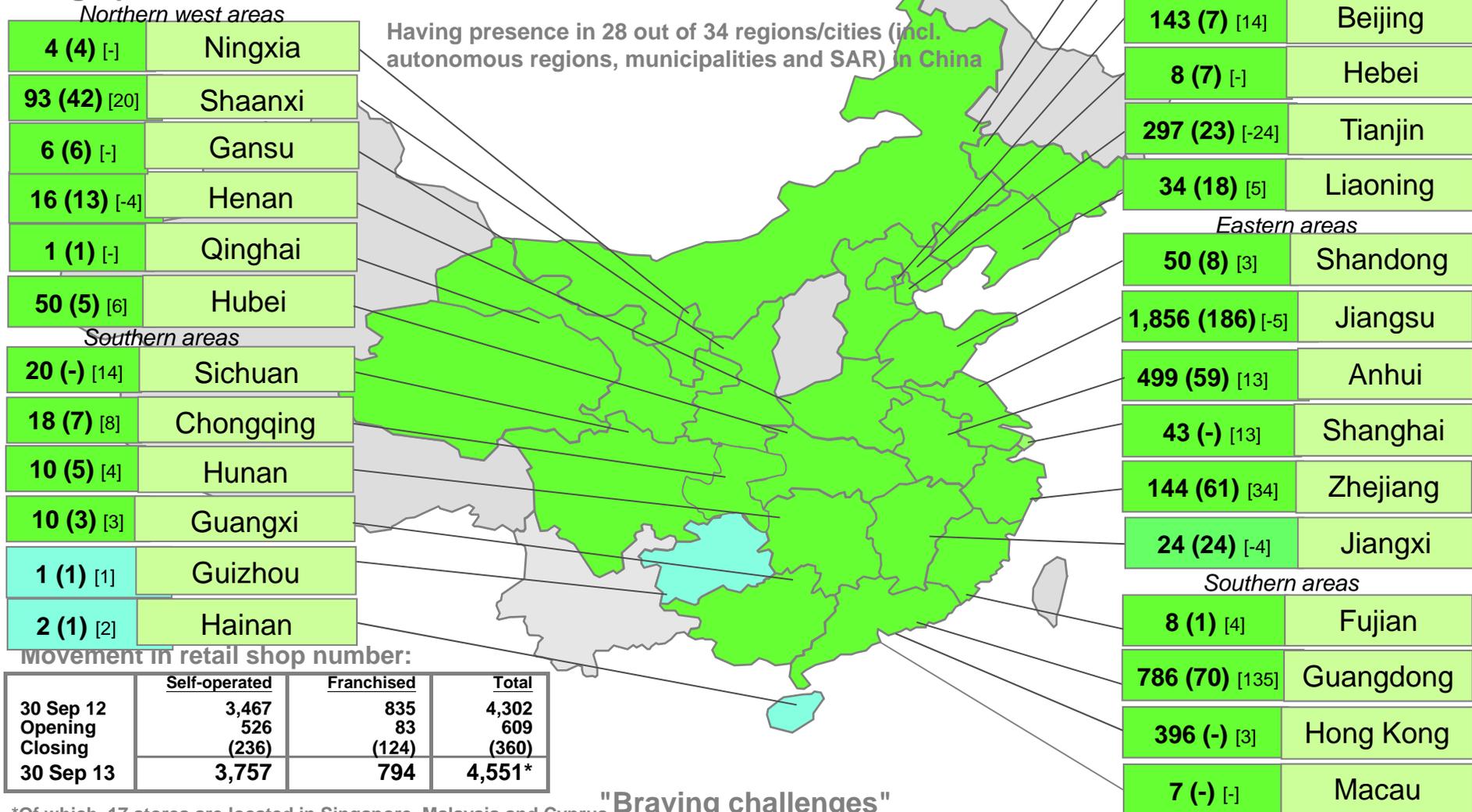
Region

New region

Retail

- Growth through: Multi-format with regional leadership

Geographical distribution of retail network



Movement in retail shop number:

	Self-operated	Franchised	Total
30 Sep 12	3,467	835	4,302
Opening	526	83	609
Closing	(236)	(124)	(360)
30 Sep 13	3,757	794	4,551*

*Of which, 17 stores are located in Singapore, Malaysia and Cyprus.

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Retail

- Growth through: Multi-format with regional leadership

Business model

Winning market share by

- Multiple-format store approach
- Multiple distribution centres (more than 14 D.C.)
- Trade-up strategy
- Innovative in format
- Regional focus



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Retail

- Growth through: Multi-format with regional leadership

In a shopping mall

6 formats in Guangzhou

Taikoo Hui (Swire properties):



5 formats in Beijing

Galleria (CR Land):



In a city

5 formats in Nanjing:



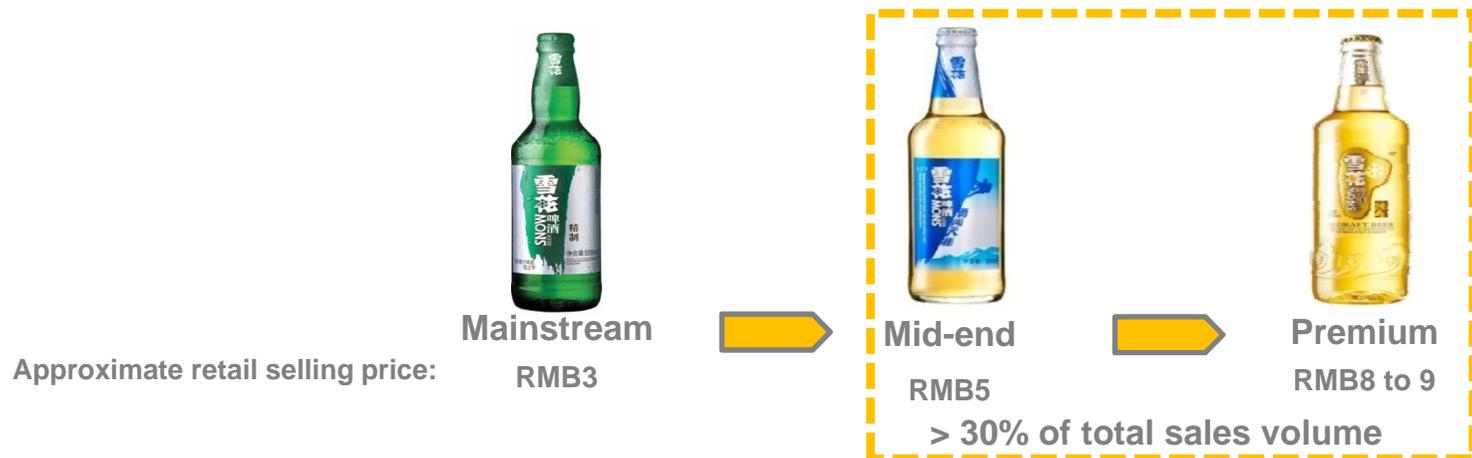
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Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

	Q3 2013 HK\$m	Q3 2012 HK\$m	change	Q3 YTD 2013 HK\$m	Q3 YTD 2012 HK\$m	change
Sales volume (million KL)	4.07	3.69	+10%	9.83	9.06	+8%
Turnover	11,332	9,153	+24%	27,410	23,786	+15%
EBITDA	2,290	1,840	+24%	4,218	3,601	+17%
Earnings (#)	1,468	987	+49%	2,171	1,722	+26%
EBITDA margin (%)	20.2	20.1	-	15.4	15.1	+2%
Net margin (%) (#)	13.0	10.8	+20%	7.9	7.2	+10%

Performance in Q3 2013 was mainly beneficial from favourable weather condition in certain of our strong regions.



(#) Profit attributable to CRE was 51% share of the above earnings.

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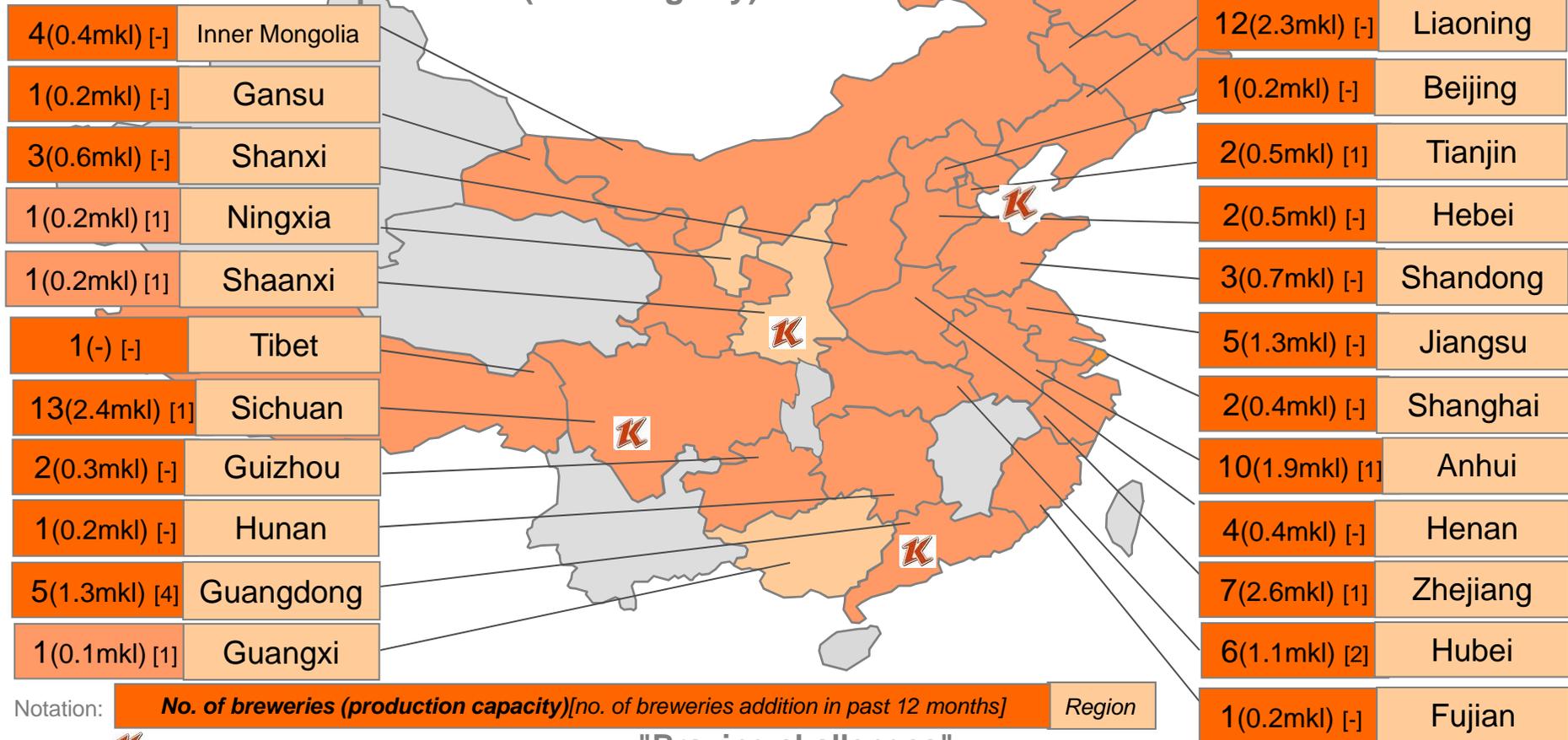
Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

Geographical distribution of the breweries

Having presence in 25 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

Number of breweries plants: 96 (incl. Kingway)



Notation: **No. of breweries (production capacity)**[no. of breweries addition in past 12 months] **Region**

K Incl. Kingway brewery plants

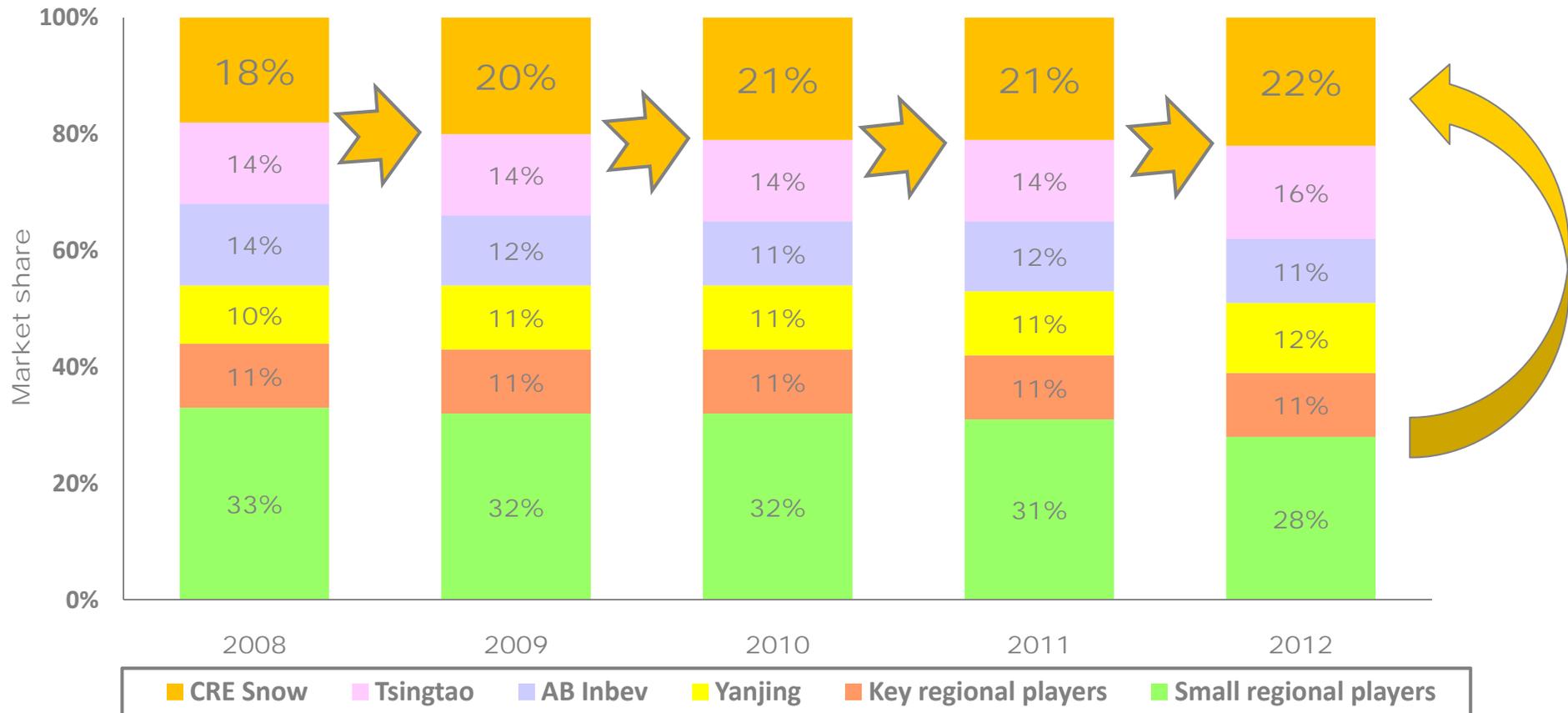
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Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

Distribution of China beer market share:

Total market share of top 4 players was 61% in 2012, of which Snow has 22%.



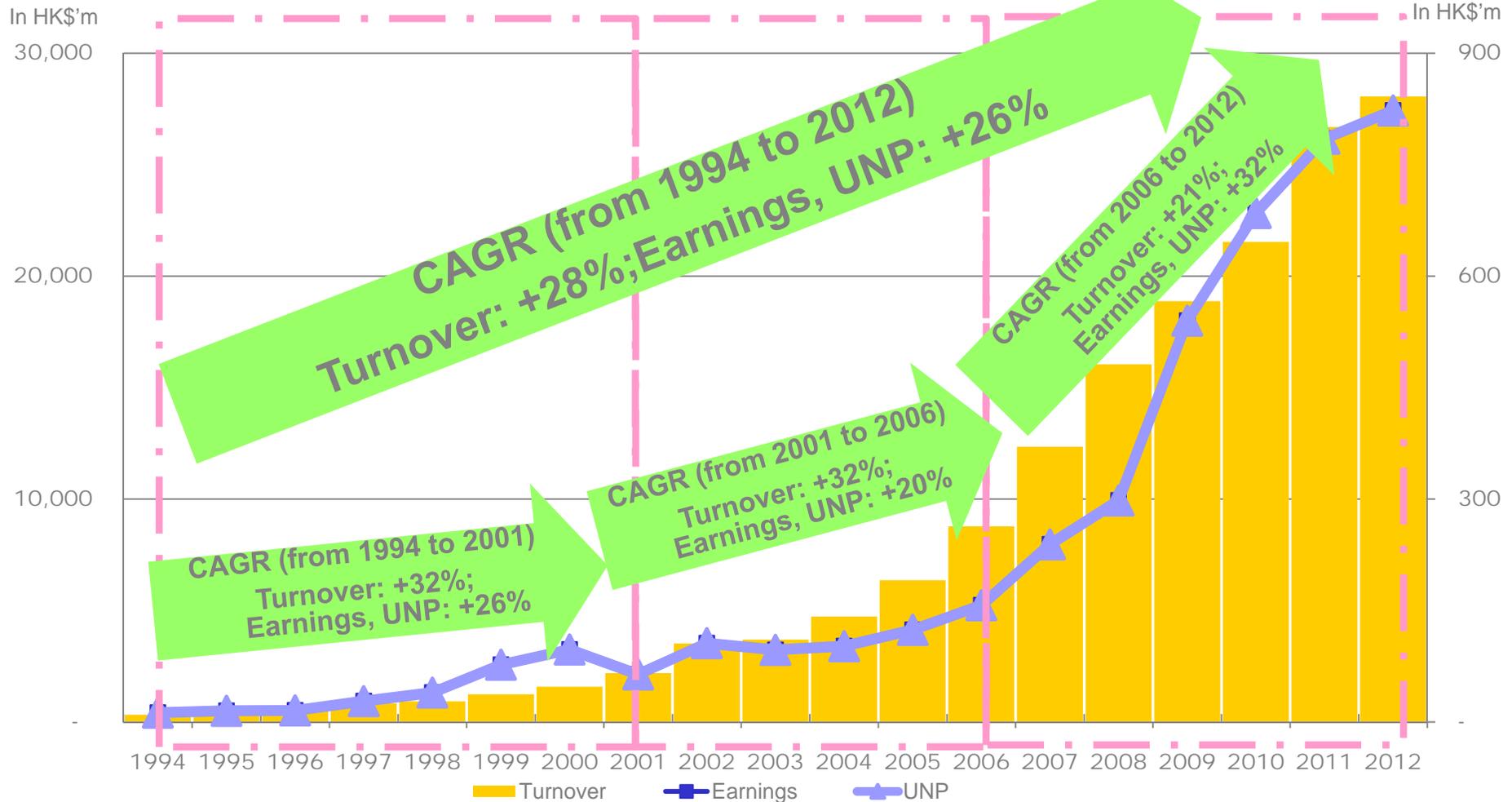
Source: State Statistical Bureau and CR Snow

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Beer (No.1 brand by volume in the world since 2008)



- Strong robust growth in both turnover and profitability



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▪ Growth through: Quality premium products

	Q3 2013 HK\$m	Q3 2012 HK\$m	change	Q3 YTD 2013 HK\$m	Q3 YTD 2012 HK\$m	change
Turnover	3,171	2,636	+20%	8,175	7,750	+5%
Underlying EBITDA	134	166	-19%	385	524	-27%
Underlying net profit	30	68	-56%	101	212	-52%
Underlying EBITDA margin (%)	4.2	6.3	-33%	4.7	6.8	-31%
Underlying net profit margin (%)	0.9	2.6	-65%	1.2	2.7	-56%

Profitability was mainly affected by initial set-up cost of the new businesses.

Business Model

- One of the leading integrated food suppliers in China
- Increasing focus on China
- High food safety standard
- Product differentiation
- A variety of food products offered to customers



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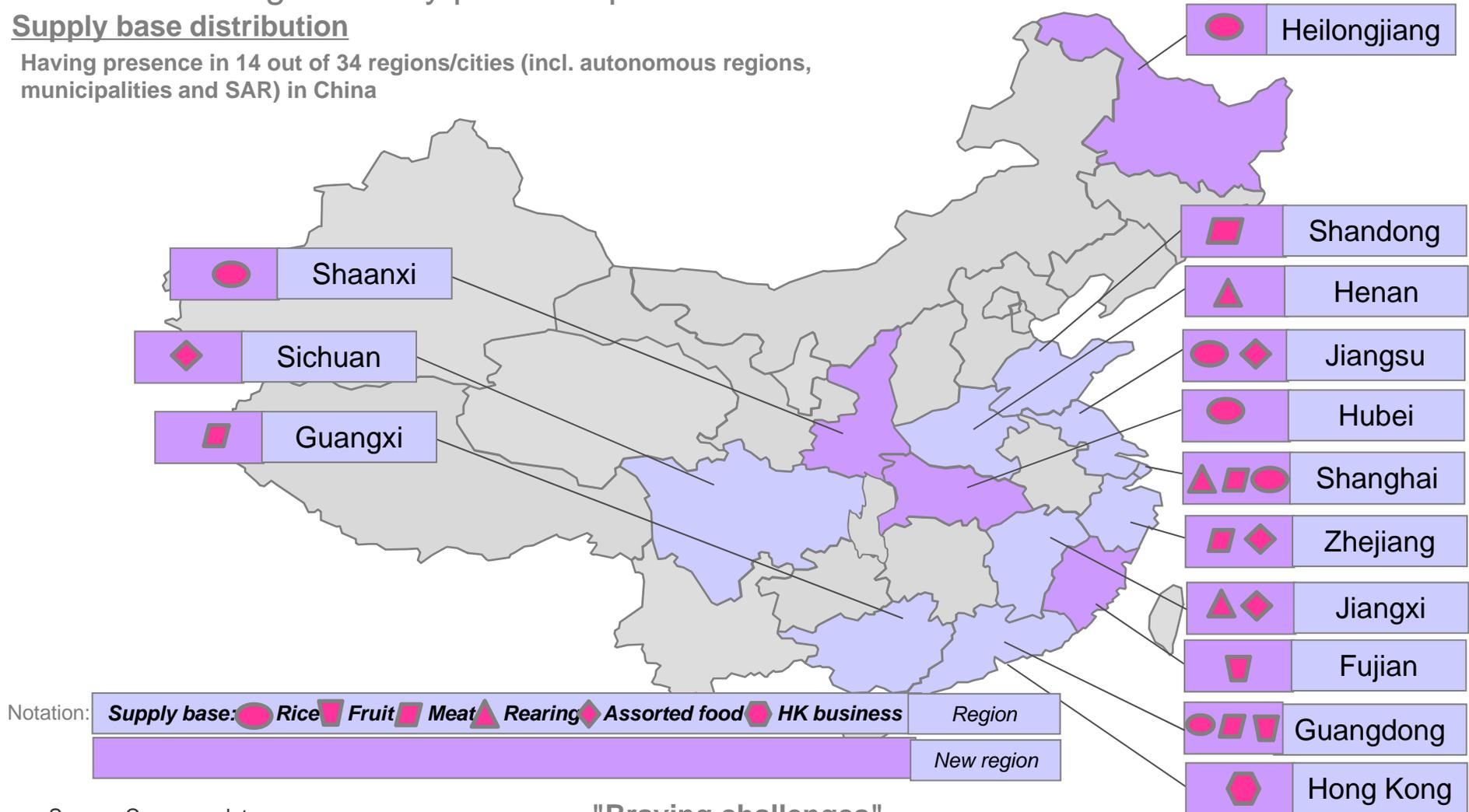
Food



▪ Growth through: Quality premium products

Supply base distribution

Having presence in 14 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China



Source: Company data

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Beverage



- Growth through: strong partnership with Kirin

	Q3 2013 HK\$m	Q3 2012 HK\$m	change	Q3 YTD 2013 HK\$m	Q3 YTD 2012 HK\$m	change
Sales volume (million KL)	1.69	1.17	+44%	3.96	2.86	+38%
Turnover	2,494	1,619	+54%	5,869	3,908	+50%
EBITDA	218	147	+48%	352	253	+39%
Earnings (#)	151	98	+54%	217	146	+49%
EBITDA margin (%)	8.7	9.1	-4%	6.0	6.5	-8%
Net margin (%) (#)	6.1	6.1	-	3.7	3.7	-

Improvement in turnover and profitability were mainly driven by higher sales volume.



- wide distribution network
- rich experience in China retails
- successful co-operation with foreign players
- competitive advantage with other CR group companies

- strong R&D capability
- rich experience in beverage business
- a variety of products
- high technology on manufacture of beverage products



(#) Profit attributable to CRE was 60% share of the above earnings since August 2011.

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Beverage

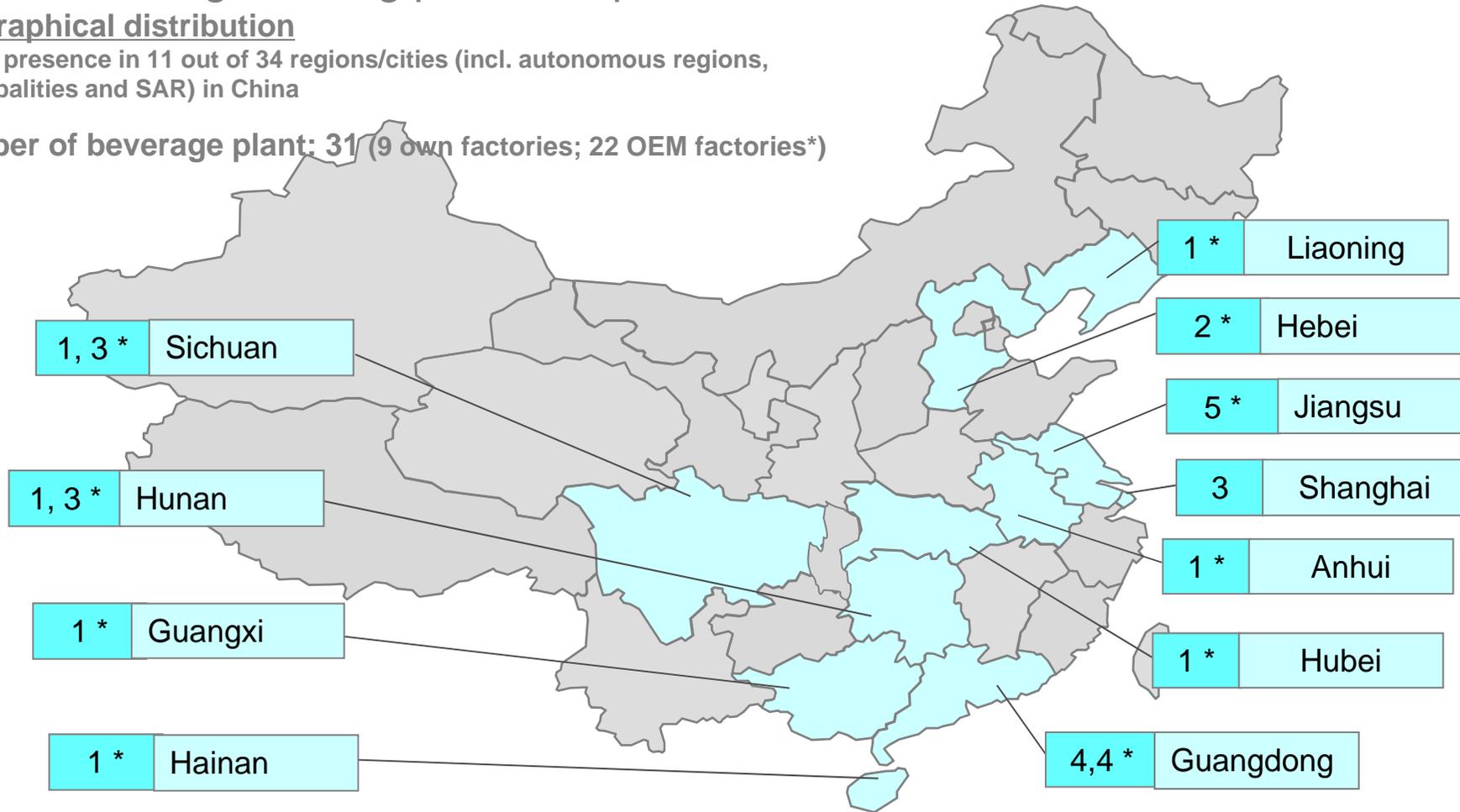


- Growth through: strong partnership with Kirin

Geographical distribution

Having presence in 11 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Number of beverage plant: 31 (9 own factories; 22 OEM factories*)



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Appendix I – Details of Retail formats

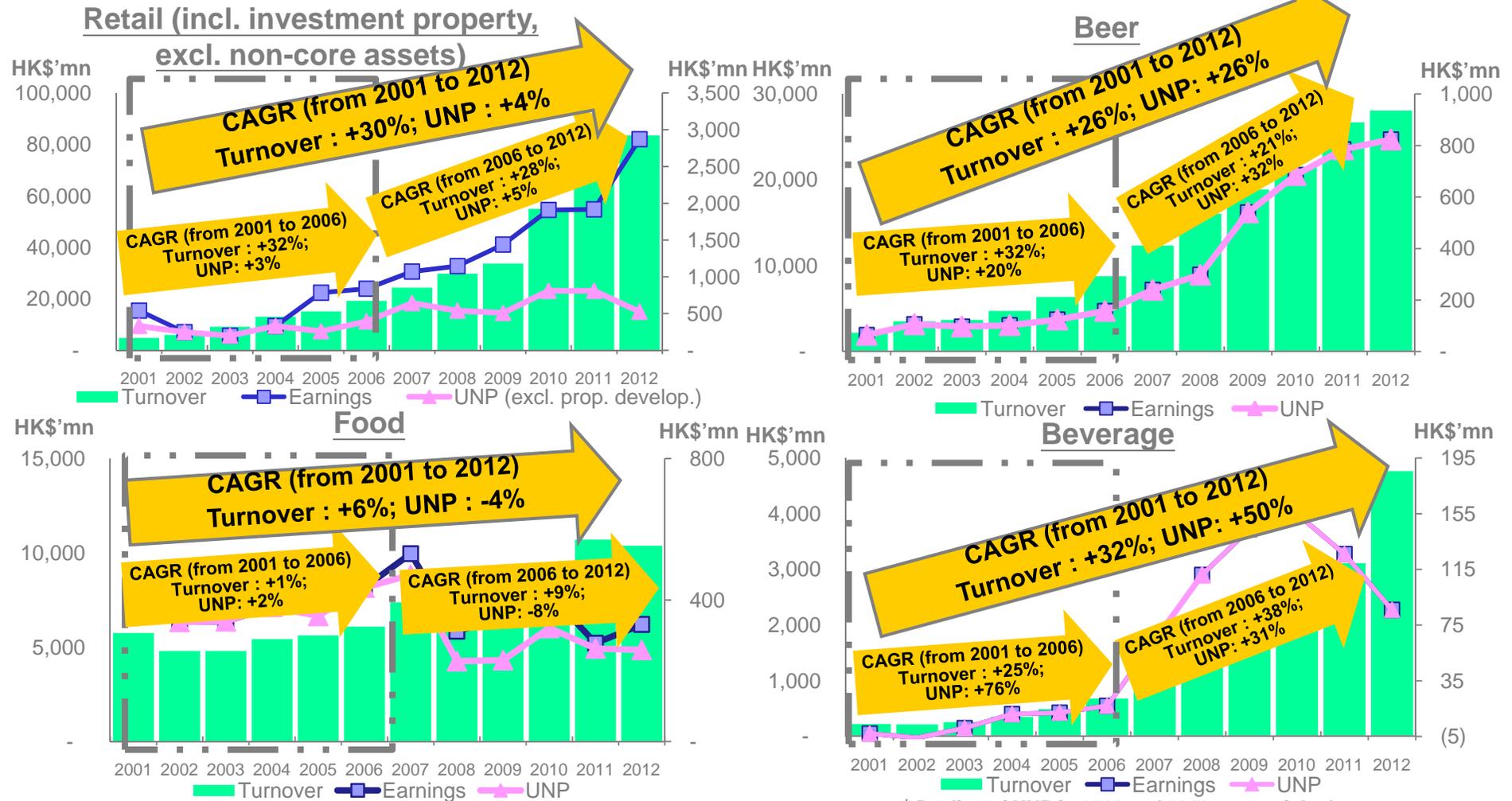
Format	Major brands	Average areas (sq.m)	30 Sep 13				30 Jun 13		31 Dec 12		30 Sep 12	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<i>I. Hypermarket</i>		Over 6,000	app.78%	19%	547#	13	533#	13	571	13	554	16
<i>II. Standard supermarket</i>		500 – 800	app.11%	21%	1,371#	681	1,362#	708	1,301	748	1,278	747
<i>III. Convenience stores</i>		30 – 120	app.4%	22%	1,149	67	1,126	61	1,073	52	1,040	47
<i>IV. Ole', blt</i>		4,000	app.2%	more than 25%	36	-	31	-	31	-	30	-
<i>V. Pacific Coffee</i>		120	app.1%	more than 50%	308	33	293	30	264	26	231	25
<i>VI. CAC and CR Care</i>		various	app.2%	more than 30%	160	-	152	-	147	-	149	-
<i>VII. Health and beauty stores</i>		200	less than 1%	more than 30%	164	-	165	-	169	-	170	-
<i>VIII. Wine cellar and others</i>		200	app. 2%	Various	22	-	20	-	17	-	15	-
Total					3,757	794	3,682	812	3,573	839	3,467	835
					4,551		4,494		4,412		4,302	

During the period, 46 hypermarkets have been reclassified as standard supermarkets.

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Appendix II – Historical track record of CRE

Strong growth momentum in each businesses

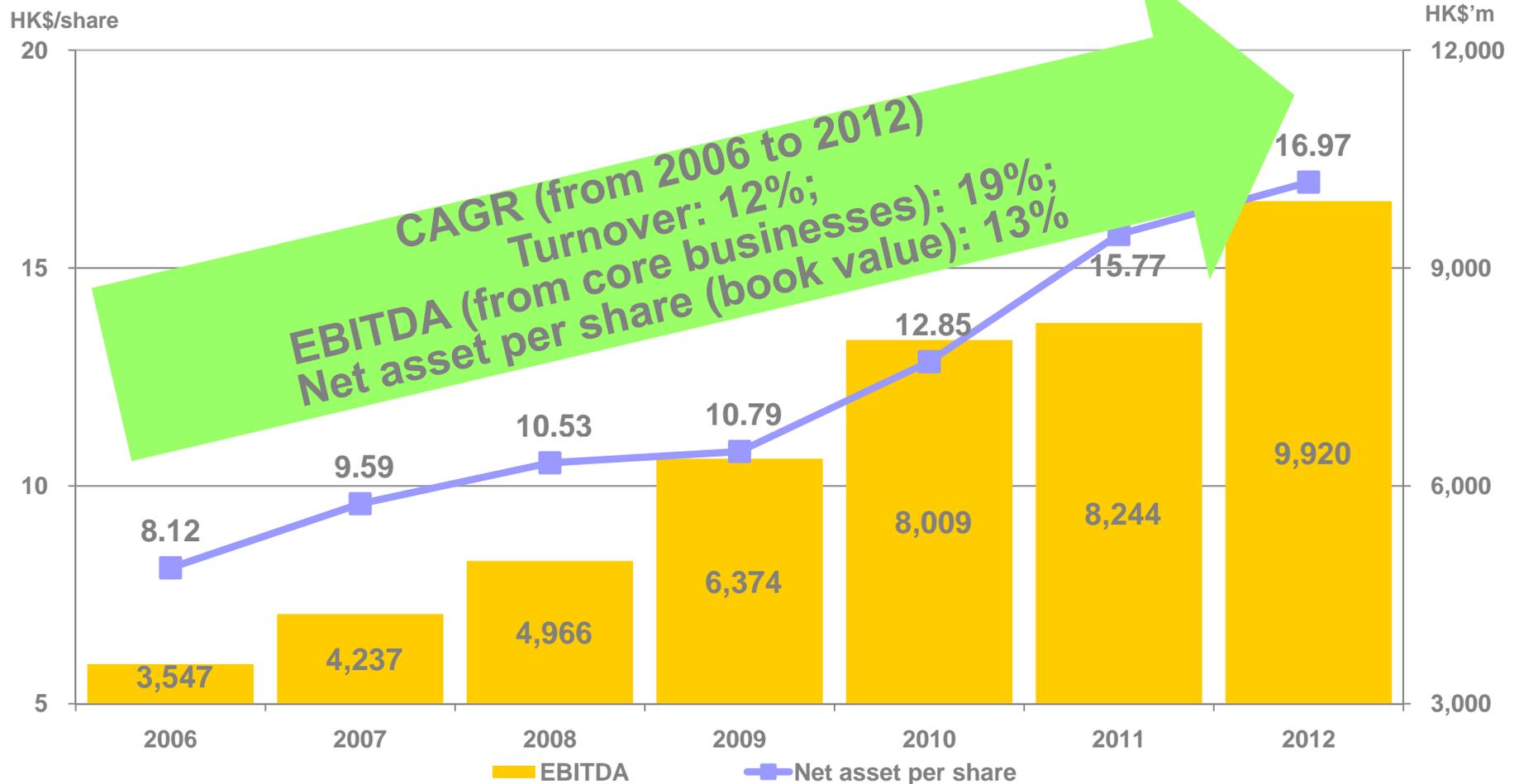


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* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

Appendix III – Historical operating summary

- Increasing market share and net asset without share dilution in past 7 years

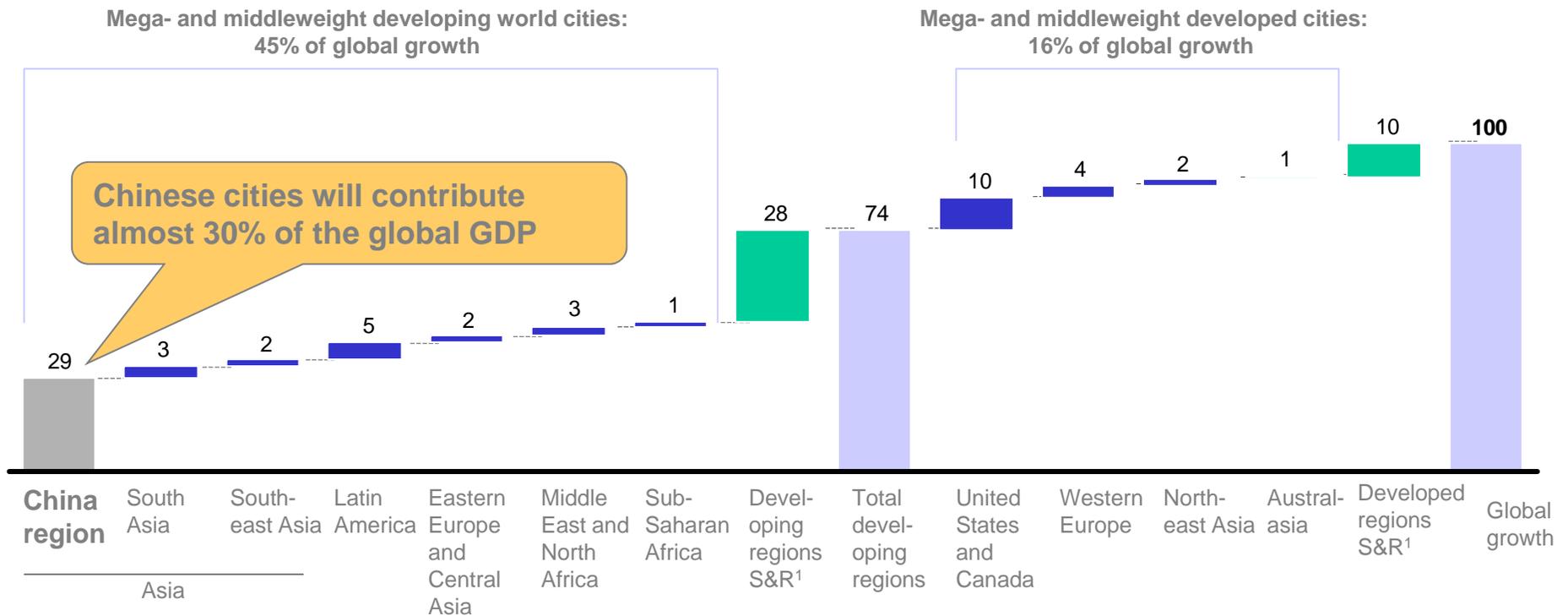


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Appendix IV – Strong growth in China

Strong growth in China

According to McKinsey, top 225 cities of China will contribute app. 30% of global GDP growth in the next 10-15 years.



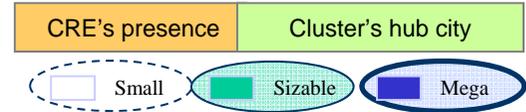
1 S&R = small cities and rural areas.

Source: McKinsey

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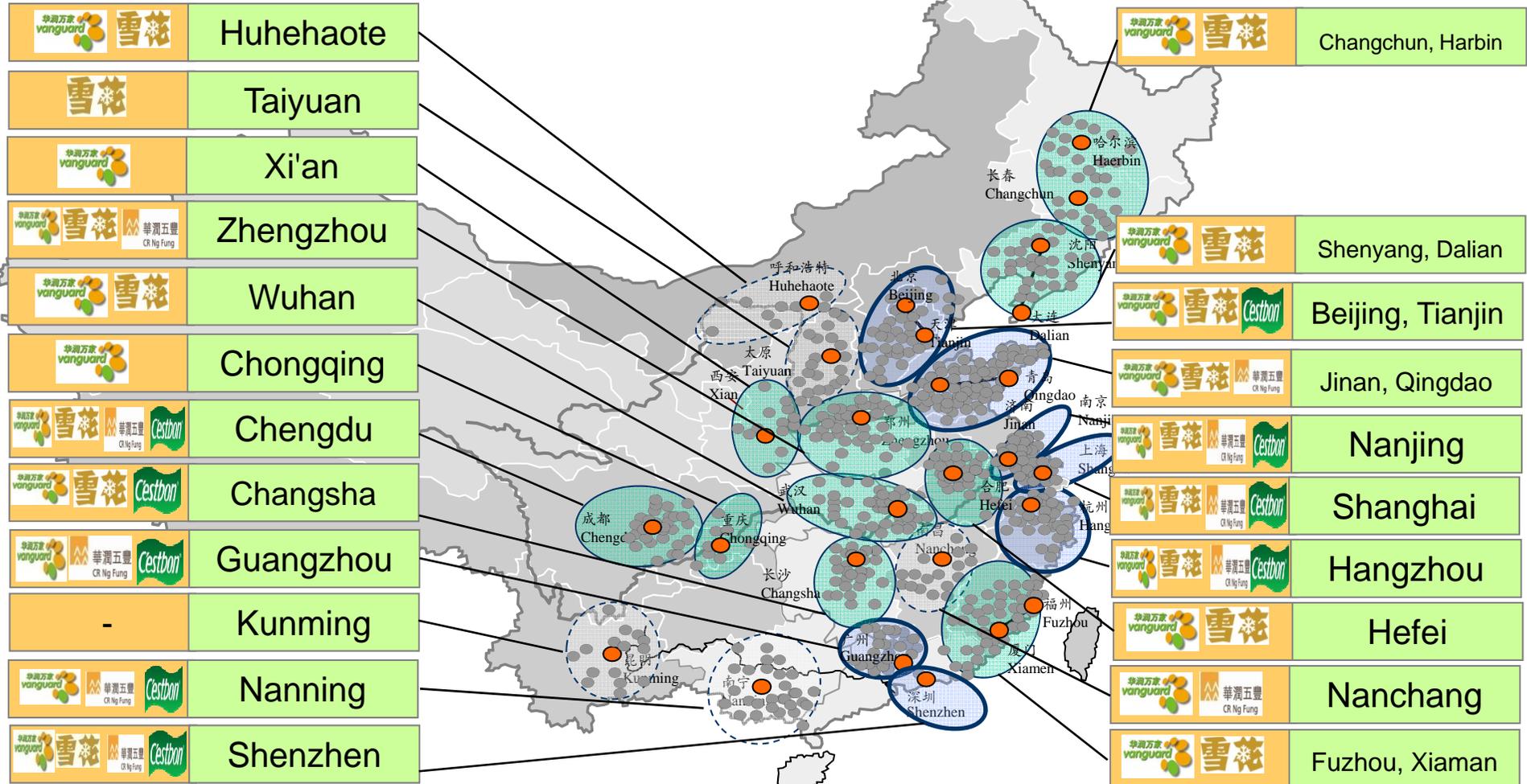
Appendix V – Better position for CRE

Notation:
Expected cluster size:



■ Better positioning to capture strong growth in China

According to McKinsey, more than 90% of China's urban GDP in 2015 will come from 22 clusters.



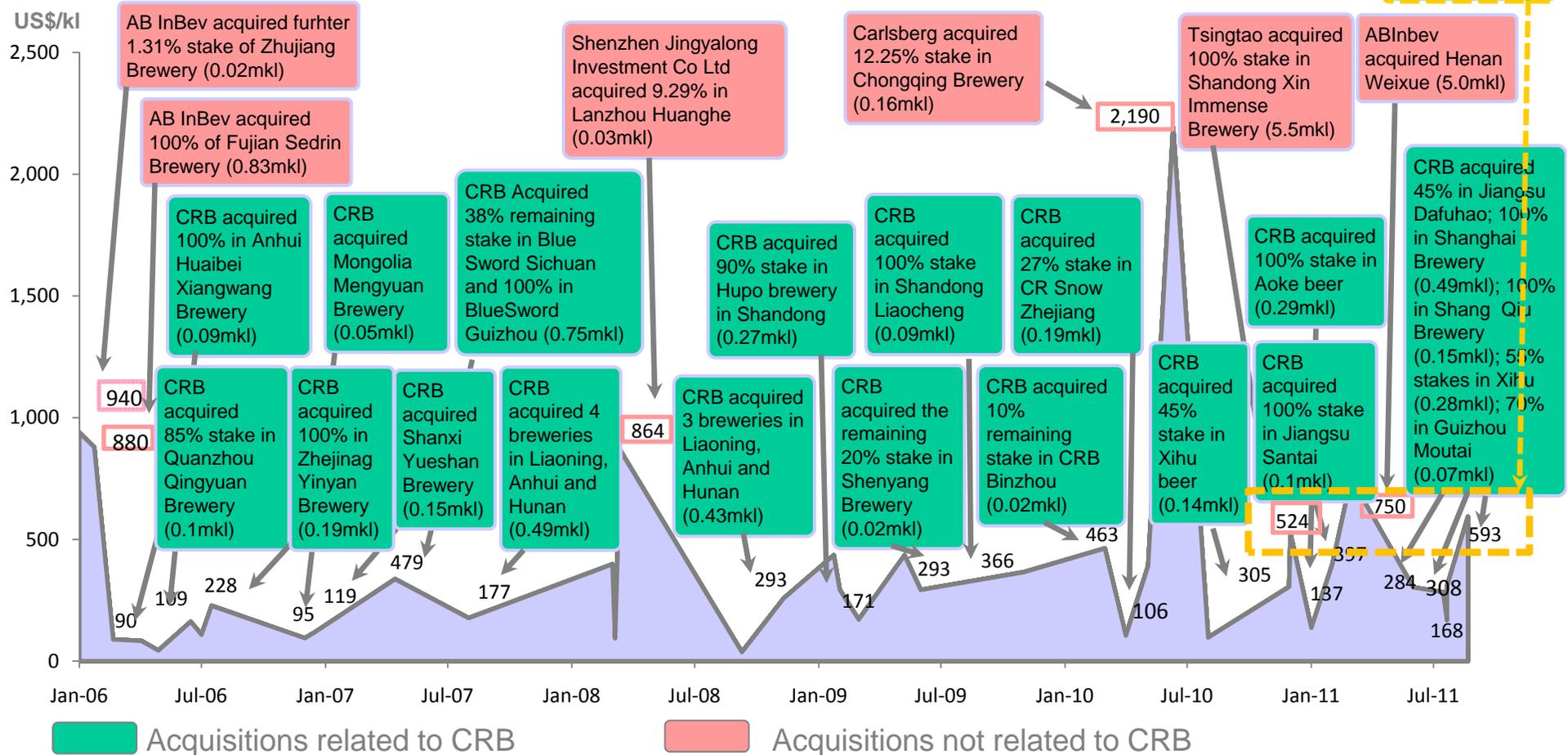
Source: McKinsey and Company data

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Appendix VI – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



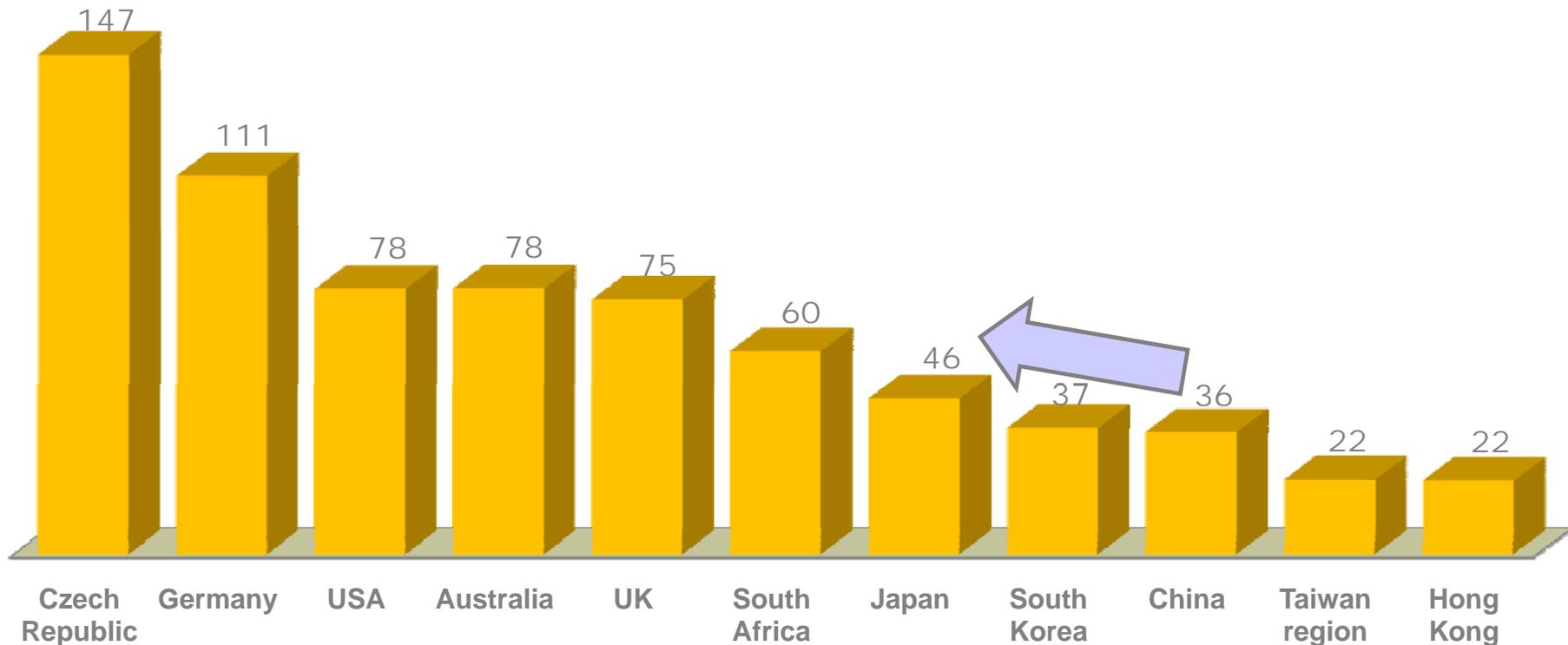
Source: Deutsche bank and Company data

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Appendix VII – Global beer consumption summary

Beer consumption per capita in China increased double in past 10 years (from 18 litres in 2001 to 36 litres in 2011 (provisional)).



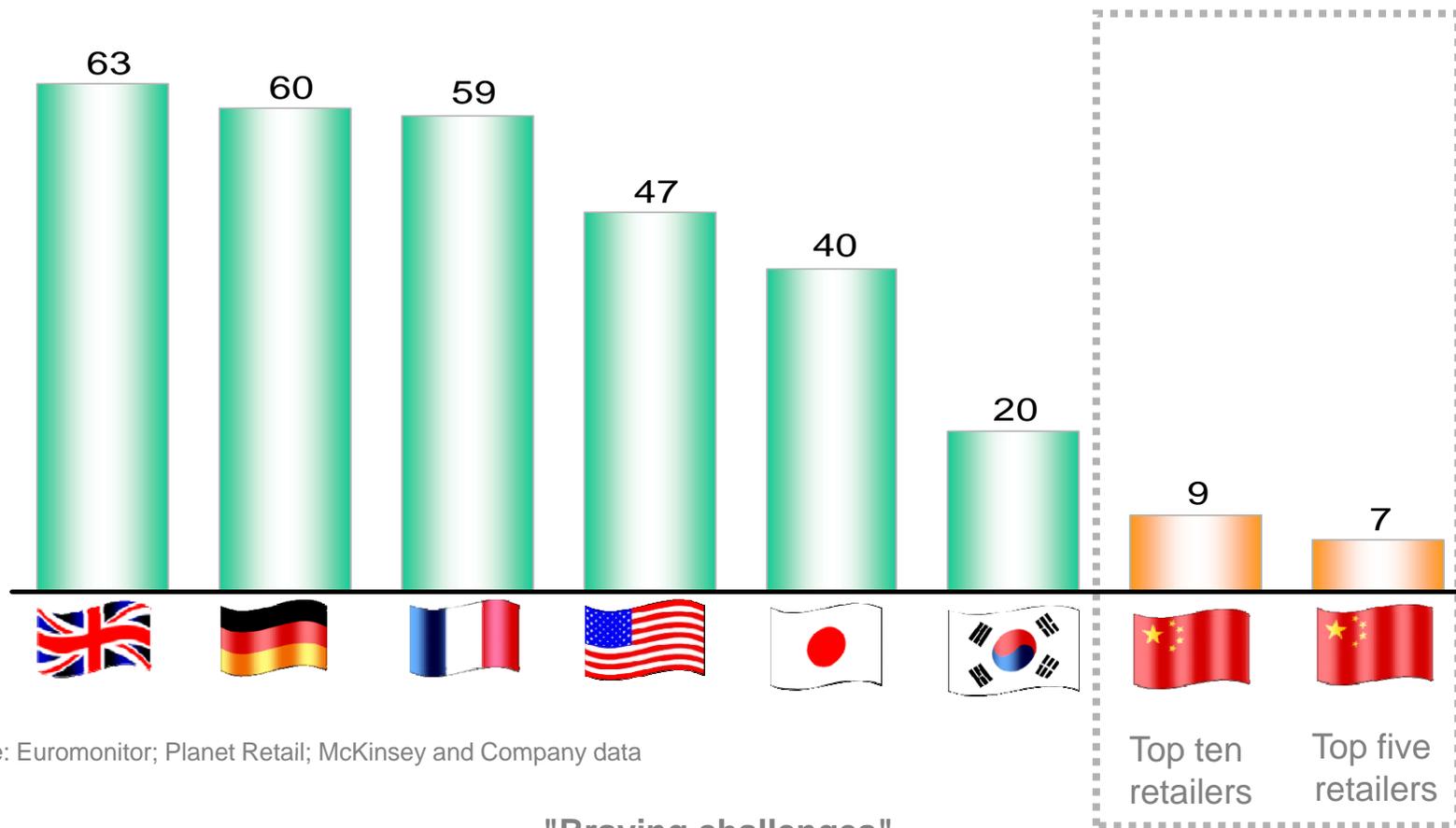
Source: Plato logic

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Appendix VIII – Market share of Retail business

Lower market concentration in China than other developed countries:

Percentage of top 5 retailers to total grocery retail market share in the state:



Source: Euromonitor; Planet Retail; McKinsey and Company data

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Appendix IX – CRE awards



■ Highlights of accolades received

Since 2002	Produced quarterly financial and operational review on a voluntary basis. First conglomerate company among the constituent stocks in the Hang Seng Index to initiate such a move
2005-2012	Named one of the outstanding enterprises among blue-chip companies in Hong Kong by <i>Economic Digest</i>
2006-2011	Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i>
2006/2010	Honored as one of the Awardees in the Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)" in the "Directors Of The Year Awards 2010" by <i>Hong Kong Institute of Directors</i>
2009-2013	Ranked one of the top three retail organizations (Gold award in 2013) for China in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</i>
2009/ 2010/2012	Selected as one of the companies receiving "The Platinum (2009/2010)/Gold (2012) Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by <i>The Asset</i>
2010-2012	Mr. Chen Lang was selected as one of winners in China of Asian Corporate Director Recognition Awards by <i>Corporate Governance Asia</i>
2010- 2013	Received "CAPITAL Outstanding China Enterprise Award-Consumer Goods" in The CAPITAL Outstanding China Enterprise Awards from <i>CAPITAL</i>

Please refer to our company website, www.cre.com.hk, for further details of awards received prior to 2009.

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Appendix IX – CRE awards (Cont'd)

■ Highlights of accolades received

2010-2013 Received awards for cover photo/design in the categories of food distributors, processors & wholesalers, manufacturing & Distributing, Food & Consumer Packaged Goods and Multi-Industry – Products & Services in International Annual Report Competition Awards from *MerComm, Inc.*

2010/2013 Awarded as Asia's best CEO (Investor Relations) – Mr. Chen Lang, Asia's best CFO (Investor Relations) – Mr. Frank Lai, Best Investor relations professional – Mr. Vincent Tse, Best investor relations, best environmental responsibility (2010, 2013) and Asia's Best Corporate Social Responsibility (2013) by *Corporate Governance Asia*

2011 Received the Best Management Team Award in Golden Bauhinia Award by *Ta Kung Pao*

2010/2012 Received Overall Best companies in Asia for Corporate Governance, best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, Best for Investor Relations (2012) and best awards in Hong Kong region for overall corporate governance, disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, investor relations and investor relations officer (2010) by *Asiamoney*

2011-2013 Ranked number 981/861/800 in Global 2000 from *Forbes*

2011 Received "The Largest Captialization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by *Yazhou Zhoukan*

2010-2013 Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by *Yazhou Zhoukan*

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Appendix IX – CRE awards (Cont'd)

■ Highlights of accolades received

- | | |
|--------------------|---|
| 2011/2012/
2013 | Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by <i>CAPITAL and Capital Weekly</i> |
| 2011–2013 | Ranked number 39 /46/37 in <i>Fortune China 500</i> |
| 2011 | Received 2 best awards for investor relations and investor relations officer and 4 awards of ranked second in Best for overall for corporate governance, disclosure and transparency, responsibilities of management and the board of directors and shareholders' rights and equitable treatment in Hong Kong region by <i>Asiamoney</i> |
| 2012/2013 | Received Outstanding Corporate Social Responsibility Award by <i>The Mirror Monthly Magazine</i> |
| 2012/2013 | Awarded as Class of 2012/2013 - The Best of Asia (China) and Asian Corporate Director (China) – Mr. Chen Lang in 2013 in Corporate Governance Asia Recognition Awards by <i>Corporate Governance Asia</i> |
| 2012/2013 | Received Best IR Companies (Both Buy (2013) and Sell Side (2012/2013) – Consumer), Best CEO – Hong Jie (Sell Side – Consumer) in 2013, ranked second for Best CEO – Chen Lang (Sell Side – Consumer) in 2012, Best CFO – Frank Lai (Sell Side – Consumer), Best Investor Relations Professional – Mr. Vincent Tse (Both Buy and Sell Side – Consumer), ranked second for Best Investor Relations Professional – Mr. Kevin Leung (Sell Side – Consumer) in 2013 in The All-Asia Executive Team Survey by <i>Institutional Investor</i> |
| 2012 | Awarded as Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company and Investor Relations Officer (Hong Kong) by <i>IR Magazine</i> |
| 2012 | Ranked number 428 in Green Rankings – Global 500 List by <i>Newsweek</i> |

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